

Economic slowdown and cost of raw materials impact voestalpine's earnings for Q1 2019/20

- » **At EUR 3.3 billion, revenue for Q1 2019/20 3.8% lower than in the previous year (EUR 3.5 billion)**
- » **EBITDA fell by 27.7%, from EUR 513 million to EUR 371 million**
- » **EBIT dropped by 51.6%, from EUR 324 million to EUR 157 million**
- » **Profit before tax declined from EUR 294 million to EUR 124 million, profit after tax from EUR 226 million to EUR 90 million**
- » **Gearing ratio rose from 49% to 58%**
- » **Equity stable at EUR 6.7 billion**
- » **Number of employees: 51,670 (-0.3%)**
- » **Cooling economy and trade conflicts as well as price increase in iron ore and CO₂ emission certificates were main factors**

As far as the voestalpine Group is concerned, the macroeconomic environment has clouded over significantly since the start of the business year 2019/20. By and large, this is due to the fallout from the international trade conflicts and the associated, growing weakness of the global economy, which affects above all Europe's export-oriented industries, and the slumping automotive industry in particular. Furthermore, strong increases in iron ore prices in a weakening market along with falling prices for steel products as well as rising costs for CO₂ emission certificates in the EU put pressure on profit margins. "The economic downturn as well as large cost burdens with respect to both raw materials and CO₂ certificates are reflected in the voestalpine Group's diminished earnings for the first quarter of the business year 2019/20. Thanks to our broad product portfolio, however, we succeeded despite these challenges in generating positive demand throughout key customer segments such as rail technology, aerospace as well as warehouse and welding technology. In addition, we are already intensely working on counteracting market pressures through cost and efficiency improvement programs in the entire Group," says Herbert Eibensteiner, Chairman of the Management Board of voestalpine AG.

Development of revenue and earnings figures

At EUR 3.3 billion, voestalpine's revenue for the first quarter of the business year 2019/20 was 3.8% lower than the revenue of EUR 3.5 billion for the first quarter of the previous business year. All four of the Group's divisions were confronted with a slight decline in revenue resulting mainly from declining delivery volumes. Aside from the reductions in the sales volume stemming from economic developments as well as the increases in both iron ore prices and CO₂ emission certificates, the start-up costs at the Group's automotive plant in Cartersville, USA, also put downward pressure on earnings in the reporting period. As a result, the EBITDA of the voestalpine Group declined by 27.7%, from EUR 513 million to EUR 371 million, and the EBITDA margin from 14.8% to 11.1%. EBIT fell year over year by more than half, from EUR 324 million to EUR 157 million, and the EBIT margin correspondingly from 9.3% to 4.7%. Profit before tax dropped by 57.7%, from EUR 294 million to EUR 124 million; the

profit after tax for the first quarter of the business year 2019/20 is EUR 90 million (previous year: EUR 226 million). The gearing ratio (net financial debt as a percentage of equity) rose from 49% as of June 30, 2018 (and 46.6% as of the March 31, 2019, annual reporting date), to 58.1% as of June 30, 2019. This increase is due to the growth in net financial debt, from EUR 3.3 billion as of the first quarter of the business year 2018/19 (and EUR 3.1 billion as of the business year 2018/19) to EUR 3.9 billion. For the most part, this increase in the first quarter of the business year 2019/20 stems from changes in international financial reporting requirements (recognition of leases pursuant to IFRS 16), which raised the interest-bearing liabilities by about EUR 437 million compared with the annual reporting date. At EUR 6.7 billion, equity was stable overall, both year over year (EUR 6.8 billion) and relative to March 31, 2019 (EUR 6.7 billion). As of June 30, 2019, the voestalpine Group had 51,670 employees (FTE), a slight decrease of about 0.3% year over year.

Outlook

At the start of the business year 2019/20, the Management Board of voestalpine AG came to the conclusion that the previous year's EBITDA would likely be achievable in the current business year too, provided certain assumptions come to pass.

The key influencing variables in market and cost terms on which this assumption was based were a cooling of the economy in the markets that are key to voestalpine, but no recessionary or crises scenarios; a cooling of the momentum in the automotive industry, but no new dramatic distortions in the automotive market on account of the new emissions test to be introduced in Europe in September 2019; no negative effects from the global trade conflicts and/or the Brexit above and beyond the anticipated cooling of the economy; a normalizing of iron ore prices over the course of the business year; and positive dispositions of challenges internal to the company.

Generally speaking, it can be said that the economic uncertainty has grown since the start of the business year and that negative effects from the global trade conflicts and/or the Brexit are likely to increase further. The assumption that iron ore prices would fall has not materialized to date. So far, a situation where rising ore prices occur in tandem with falling steel prices has held sway for short periods only. This is why we expect that, this time too, the present unfavorable constellation will be resolved during the second half of the business year. The momentum in the automotive industry is undoubtedly cooling off. This has affected the four divisions of the voestalpine Group differently in the first quarter of the business year 2019/20, with moderate to material impacts on earnings. Customers of voestalpine in the automotive industry are confident that they will be able to handle the new emissions test in September. The intracorporate challenges are being dealt with. Hence this particular set of topics should have less of an impact on the current business year's second half than it did on the first.

Management is counteracting the current developments through intensified programs aimed at boosting efficiency and cutting costs. First positive results of these programs should also take effect as early as in the second half of the current business year. "The Management Board of voestalpine AG continues to work in a difficult environment, particularly with respect to the development of ore and steel prices, on achieving EBITDA for the current business year that is comparable to that of the previous business year even though the uncertainties have mounted since the start of the current business year," says Eibensteiner.

The voestalpine Group

In its business segments, voestalpine is a globally leading technology group with a unique combination of materials and processing expertise. voestalpine, which operates globally, has around 500 Group companies and locations in more than 50 countries on all five continents. It has been listed on the Vienna Stock Exchange since 1995. With its top-quality products and system solutions using steel and other metals, it is a leading partner of the automotive and consumer goods industries as well as of the aerospace and oil & gas industries. voestalpine is also the world market leader in complete railway systems as well as in tool steel and special sections. In the business year 2018/19, the Group generated revenue of EUR 13.6 billion, with an operating result (EBITDA) of EUR 1.6 billion; it had just under 52,000 employees worldwide.

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